

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Authority to Recover Capital Additions to its Fossil Generating Facilities Made Between January 1, 1997 and March 31, 1998, or the Date of Divestiture for Those Generating Facilities Divested by July 8, 1998 and Related Substantive and Procedural Relief.

Application 99-04-024
(Filed April 19, 1999)

Application of Southern California Edison Company (U 338-E) for Authority to, Among Other Things, Increase its Authorized Revenues for Electric Service in 2003, and to Reflect that Increase in Rates.

Application 02-05-004
(Filed May 3, 2002)

Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Southern California Edison Company.

Investigation 02-06-002
(Filed June 6, 2002)

**ADMINISTRATIVE LAW JUDGES' RULING
ON CERTAIN CAPITAL ADDITIONS TO
NON-NUCLEAR GENERATING PLANT**

Summary

This joint ruling requests Southern California Edison Company (Edison) to provide testimony in Application (A.) 02-05-004 on capital additions to non-nuclear generating plant made in 1997 and 1998. Edison's testimony should address reliability and obsolescence capital additions requested for recovery in

A.99-04-024. Intervenors, including the Office of Ratepayer Advocates (ORA), are provided an opportunity to file in response to Edison's testimony.

Background

In A.99-04-024 Edison requested recovery of \$83.153 million in capital additions for 1997 through July 8, 1998. Capital additions for environmental, regulatory and safety purposes are approximately \$20.018 million, while capital additions for divested plants are approximately \$30.656 million. The remaining amount, approximately \$32.479 million relates to reliability and obsolescence capital additions in retained coal and hydroelectric plant.

In April 2000 when the evidentiary record was closed, Public Utilities Code Section 377¹ required public utilities desiring to retain ownership of their non-nuclear plant to demonstrate to the Commission that retention of this plant would not confer on them an undue competitive advantage. Section 367 reads in part:

“The Commission shall identify and determine those costs and categories of costs for generation-related assets and obligations, consisting of costs for generation-related assets and obligations, consisting of generation facilities...and the appropriate costs incurred after December 20, 1995, that the Commission determines are reasonable and should be recovered provided that these additions are necessary to maintain the facilities through December 31, 2001.”

In the testimony, evidence and hearings in A.99-04-024, parties focused on the standard for cost recovery provided by Section 367 requiring that capital additions must be reasonable and necessary to maintain electric facilities through

¹ All references are to the Public Utilities Code unless otherwise noted.

December 31, 2001. However, Section 377, amended January 18, 2001, now requires public utilities to retain electric generation facilities until January 1, 2006, and requires that the Commission ensure that these facilities remain dedicated to service for the benefit of California ratepayers.

In a ruling September 7, 2001, the assigned Administrative Law Judge (ALJ) in A.99-04-024 provided parties an opportunity to file comments and reply comments on the effects of amended Section 377 on Edison's capital additions application. Edison, ORA, and The Utility Reform Network (TURN) filed comments, and TURN filed reply comments. Edison contends that amended Section 377 supports its arguments that its capital additions are reasonable, while ORA and TURN argue that amended Section 377 does not apply since the reasonableness of Edison's 1997-98 capital additions cannot be judged on a later event. However, TURN notes that if the Commission agrees with Edison's logic, it should apply that logic only to Edison's retained generation plant.

Discussion

The record in A.99-04-024 is incomplete regarding the 1997-98 capital additions made for purposes of plant reliability and obsolescence purposes. A.99-04-024 assumed that these projects for retained hydroelectric and coal generation plants were only necessary to maintain plant through December 31, 2001, and the testimony and analysis focused on this date. However, the amending of Section 377 means that plant must be maintained until January 1, 2006. Accordingly, either A.99-04-024 could be reopened for the purpose of taking further testimony on this issue, or a more appropriate proceeding

addressing the Edison's retained plant and associated capital additions could be used such as Edison's current general rate proceeding A.02-05-004.²

After conferring on this matter, the assigned ALJs agree that A.02-05-004 is the most appropriate proceeding to consider testimony on this issue. Therefore, Edison is directed to file testimony on the reasonableness of these capital additions and how the capital additions support continued reliable operation of utility-retained generation through January 1, 2006. Attachment A lists the capital additions to be addressed. The remaining capital additions in A.99-04-024 for related environmental, safety and regulatory purposes, and capital additions for divested plant, will be addressed in that proceeding.

In making this ruling the following schedule, adopted from A.02-05-004, will apply:

Serving of testimony by Edison - October 1, 2002

Serving of testimony by ORA and other intervenors - December 6, 2002

Therefore **IT IS RULED** that:

1. Edison shall serve testimony regarding those capital addition projects (Attachment A) made between 1997 and July 8, 1998 to non-nuclear generation plant by October 1, 2002.

2. ORA and other intervenors may serve testimony in response to Edison's testimony on these capital additions by December 6, 2002.

Dated September 9, 2002, at San Francisco, California.

² A.02-05-004 has been consolidated with Order Instituting Investigation 02-06-002.

/s/ BRUCE DEBERRY

Bruce DeBerry
Administrative Law Judge

/s/ MARK WETZELL

Mark Wetzell
Administrative Law Judge

ATTACHMENT A

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PROJECTS IN COAL PLANTS

Work Order	Description	Costs (\$000)
1330-0333	FCGS 97-08 GENERATOR FIELD REPLACEMENT, UNIT 5	1,501
1320-0539	MOGS HP TURBINE 1ST STAGE TURBINE BLADES, REPLACEMENT, UNIT #2	200
1330-0320	FCGS 96-09 HP NOZZLE UNIT 5, REPLACE	508
1330-0780	FCGS 94-16 AUXILIARY STEAM LINE MODIFICATIONS UNITS 4&5	722
1320-0541	MOGS BOILER TUBE REPLACEMENT, UNIT #2	549
1320-0524	MOGS REPLACE UNIT 2 1ST POINT FEEDWATER HEATERS. AVOID HEAT RATE PENALTIES	1,164
1320-0531	MOGS CONTROL SYSTEM UPGRADE, PHASE 1	731
1320-0522	MOGS MILL MOTOR REPLACEMENT UNIT 1&2	204
1330-0316	FCGS 1ST POINT NORTH FEEDWATER HEATER REPLACEMENT UNIT 4	735
1321-0510	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1B EAST AND 1B WEST	1,007
1321-0511	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1C EAST AND 1C WEST	898
1321-0512	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1D EAST AND 1D WEST	979
1321-0513	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1E EAST AND 1E WEST	849
1321-0514	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1F EAST AND 1F WEST	960
1321-0515	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1G EAST AND 1G WEST	875
1321-0517	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1J EAST AND 1J WEST	788
1321-0518	MOGS CENTRIFUGE, UNIT #1, REPLACE 2 EACH, 1K EAST AND 1K WEST	1,286
1320-0540	MOGS COOLING TOWER, REBUILD #2C	1,116
1320-0044	MOGS BLANKET-SPARE PARTS	595
Subtotal		15,667

PROJECTS IN HYDRO-ELECTRIC PLANTS

Work Order	Description	Costs (\$000)
2318-8011	MILL CREEK NO. 1 - REPLACE 1000 FT. OF PENSTOCK	116
2150-8013	MAMMOTH POOL RESERVOIR - REPLACE ROAD AND RETAINING WALL THAT WASHED AWAY	119
2230-0578	BIG CREEK NO. 3 - POWERHOUSE-REPLACE NO. 2 MAIN TRANSFORMER BANK	1,563
2523-8013	BISHOP CREEK NO. 3 - UPGRADE SOLID STATE EXCITATION	324
2326-8023	KAWEAH NO. 3 - REPLACE HALF-FLUME DESTROYED IN FLOOD	186
2212-0480	BIG CREEK NO. 2 - UNITS 3,4,5&6-INSTALL GENERATOR CIRCUIT BREAKERS	201
2230-8008	BIG CREEK NO. 3 - REPLACE CLUBHOUSE ROOF AND REMODEL BUILDING	259
2238-8038	MAMMOTH POOL POWERHOUSE - REPLACE ROAD AND PARKING LOT DESTROYED BY STORM FLOODING	392
2512-8019	POOLE - INSTALL WATER COOLING SYSTEM	100
2307-8701	KAWEAH/TULE STORM DAMAGE - 1/98	523
2211-8010	BIG CREEK NO. 1 - CAMP-REPLACE ROOFS ON 18 COTTAGES	129
2130-0384	FLORENCE LAKE - RESURFACE DAM ARCHES	2,412
2230-0582	BIG CREEK NO. 3 - UNITS 3&4-REPLACE GENERATOR CIRCUIT BREAKERS	336
2230-8005	BIG CREEK NO. 3 - UNIT 4 GENERATOR WINDING FAILURE REPLACEMENT	1,250
2328-8073	KERN RIVER NO. 3 - REPLACE PLANT COOLING WATER SYSTEM	254
2314-8033	BOREL - REPLACE CIRCUIT BREAKERS	282
2234-0375	BIG CREEK NO. 2A - UNITS 1&2 GENERATOR CIRCUIT BREAKER REPLACEMENT	516
2229-0453	BIG CREEK NO. 8 - UNIT 2-REPLACE GENERATOR STATOR WINDING AND CORE	2,122
2230-0577	BIG CREEK NO. 3 - POWERHOUSE-REPLACE NO. 1 MAIN TRANSFORMER BANK	1,681
Subtotal		12,765

ATTACHMENT A

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Projects in COAL-fired Plants		Costs (\$000)
Work Order	Description	
N/A	PRODUCTION PROJECTS UNDER \$100K	2,624
N/A	TRANSMISSION PROJECTS UNDER \$100K	297
N/A	SITE SPECIFIC GENERAL PROJECTS UNDER \$100K – TELECOMMUNICATION EQUIPMENT	672
N/A	SITE SPECIFIC GENERAL PROJECTS UNDER 100K – ALL OTHER	454
		1,126
	Subtotal	4,047
	GRAND TOTAL	\$32,479

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judges' Ruling on Certain Capital Additions to Non-Nuclear Generating Plant on all parties of record in this proceeding or their attorneys of record.

Dated September 9, 2002, at San Francisco, California.

/s/ TERESITA C. GALLARDO

Teresita C. Gallardo

N O T I C E

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